

HOW TO APPLY FOR A COMMINGLING AGREEMENT

Application for approval to combine (commingle) production from one federal lease with another federal, or fee lease requires the approval of the Authorized Officer and must include the following items:

1. A formal request for approval to combine production with appropriate explanations and diagrams describing the proposed operation in detail and containing the reasons for the proposal. The request will be submitted on a Sundry Notice form, or on company letterhead.
2. A map showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling or common storage facility. All unitized or communitized areas, producing zones, or pools, etc., must be clearly illustrated or detailed by suitable means.
3. A schematic diagram that clearly identifies all equipment that will be utilized.
4. Estimated amounts and types of production and number of wells on each lease for both the federal and fee leases, and royalty rates for each federal lease.
5. Details of the proposed method for allocating production to contributing sources, including copies of accounting spread sheets and/or other reports showing an example calculation. After the leases have been commingled and you have reported the production and sales to the MMS, and the new process is working smoothly (approximately 3-4 months after commingling begins), you must send us an explanation of the actual calculations for one month of commingled production. This must include sufficient details so that production may be tracked from well tests through sales, including federal and non-federal production. It should describe how well tests are calculated and used (averaged by month, test amount used until the next test is taken, running average of the last 3 tests, or whatever method you use), how down time is handled, how the actual sales amount is determined, how the sales and production are split between the individual leases, how inventory is considered, etc.
6. If allocation meters are to be used, the allocation meter facilities (for measuring and sampling oil before combining with other oil and or storing off-lease) must include the following components:
 - a. Meter: A positive displacement meter, positive volume meter, or turbine meter, all with a non-resettable totalizer or other acceptable measurement device.
 - b. Sampler: Equipment for continuous or periodic liquid sampling.
7. Gas must be measured by an orifice meter or other approved method.

8. A statement that all interest owners have been notified of the proposal.
9. Well test method and frequency.
10. Evidence that federal royalties will not be reduced through approval of the application.

If liquid hydrocarbons of diversified gravities are to be mixed the applicant must provide data comparing gravity and prices received for the individual production to the price that would be received for the combined production.

AFTER A COMMINGLING AGREEMENT IS APPROVED

Once a Commingling Agreement is in place, the BLM will periodically review the agreement to determine how accurately production records match the volumes reported on the Monthly Report of Operations (Form MMS-3160). At the time of the review, you will be requested to submit the following additional source documents, as applicable, for both the federal lease(s) and any non-federal leases(s) which are covered under the commingling agreement. In addition, you will be asked to provide the procedures, formulas, and accounting spreadsheets used to calculate the volumes of oil (and gas, if applicable) reported on the Oil and Gas Operations Report (Form MMS-OGOR).

- Run tickets
- Calibrated tank tables (strap sheets)
- Documentation showing when and where tanks were last calibrated.
- Statement of lease runs
- Well tests
- Allocation schedule
- Oil purchase statements
- Seal records for the LACT and the facility
- Pumper's daily gauging reports
- Current or updated site security plan for all leases covered under the Commingling agreement
- Original orifice meter charts and temperature charts (if applicable), color copies acceptable
- Integration results for gas charts requested
- Last four gas meter calibration reports
- Events reports (electronic flow meters)
- Gas volume reports (electronic flow meters)
- Volume adjustment report for gas measuring equipment where errors discovered exceed 2%
- Latest report of gas specific gravity determination
- Latest analytical data of gas BTU content determination
- Data for gas volume computation if not provided on purchase and or plan statements:
 - Atmospheric pressure
 - Pressure base
 - Temperature base
 - Published meter run tube diameter
 - Orifice size
 - Static range
 - Differential range
 - Specific gravity

If you have any additional questions, please call Silvet Holcomb at (661) 391-6137.